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Speeches

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Remarks prepared for delivery by Secretary of Agriculture John R. Block before the Executives of Swift & Company, Washington, D.C., March 16, 1981

Thank you. Jim Morrison, thanks for the kind welcome to Washington from one Illinoisan to another, and for the invitation to discuss agribusiness in the 1980's.

I see it this way: agribusiness in this decade will operate in a self-starting environment, freer of government-imposed restrictions, and more reliant on private investment and initiative.

Agribusiness itself will be productive and profitable. But with its resources and ingenuity, agribusiness will also be a prime mover in keeping American agriculture productive and profitable...and that, in my book, is what we can all do best for the whole of the national economy.

When this administration talks about restoring real economic growth to the nation, when we discuss inflation and productivity, it's always in terms of regulatory relief and budget.

I think I know the people of this country about as well as anyone. I know easterners and military folks. I know mid-westerners and farmers. And I can tell you that over-regulation drains our native American enthusiasm.

We can't afford that price--in dollars or incentive--any longer.

I understand that Swift & Company has been doing some reorganizing lately. So have we. In an effort to reduce federal spending and regulation, I'm tightening program management wherever possible. This includes shifting the Food Safety and Quality Service from the Assistant Secretary for Food and Consumer Services to the Assistant Secretary for Marketing and Transportation, Bill McMillan.

My rationale is simple: I believe that safety and quality programs should have a strong agricultural emphasis and that this will mean more and better service to the livestock and meat industry.

President Reagan has signed an Executive Order to reduce the burden of regulations on the industry and the consuming public. In line

with that order, USDA won't be issuing any new food labeling regulations unless it's shown they are cost-effective for industry and consumers.

This includes net weight labeling. This issue, as you know, has had a stormy history. We're going to take another look at the options and reconsider the need to regulate. If a very real need for regulation and cost-effectiveness can't be shown, we won't finalize new regulations.

Current labeling requirements for MPSP (mechanically processed species product) are a similar problem. We're reviewing a petition from the American Meat Institute to rename MPSP as mechanically deboned meat and set labeling requirements similar to those for mechanically deboned poultry. We plan to propose a new regulation that will accurately identify the product without putting an unnecessary regulatory burden on the meat industry.

I'm aware of the interest of some beef producers in lowering the quality grade standards. USDA is looking into the issue.

We also have a regulatory task force underway in our Packers & Stockyards operation. Our aim is to remove unnecessary regulatory burdens from the meat packing, poultry, and livestock marketing industries while continuing to protect livestock producers.

On the budget side, we have one absolute priority: to bring government spending under control. That doesn't mean cuts across-the-board. It means looking at all programs in terms of the net benefit they return to the U.S. economy.

I don't feel that target prices return a net benefit to the American people. They are direct, unrepayable outlays from the federal treasury and I'm arguing for eliminating them from the 1981 farm bill.

Because loan programs, on the other hand, are repaid, I support a modest increase in wheat and feed grain price support loan rates. As you know, with Swift's interest in peanuts, we haven't increased the peanut support rate since it was set at $455 a ton for the 1980 year.

I'm convinced that an investment in agricultural research pays dividends to the American people in terms of production, greater domestic supplies and increased international sales.

For this reason, I've argued a strong case for agricultural research's budgetary well-being and I've won.

President Reagan has asked Congress for over $141 million for total animal research in the revised 1982 budget. This is 9.5 percent over the 1981 budget and includes a $6.5 million increase that I urged in animal production research.

I think you'll appreciate that the significance of these increases in this time of budget cutbacks goes far beyond dollars and cents.

These increases are just the tangible evidence of the emphasis this administration is putting not on research itself, but on research as a means to keep agriculture productive and profitable and return net gains to the American economy.

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Remarks prepared for delivery by Secretary of Agriculture John R. Block, before the National Association of State Departments of Agriculture, Washington, D.C., March 17, 1981

Thank you. As far as I'm concerned, this is the most important meeting in town this evening. This is where the power is, because the future, the health, and the prosperity of this nation rest not on the shores of the Potomac, but on the shores of the Mississippi, the Illinois, the Colorado, the Hudson, and the Rio Grande.

Stronger federal-state relations are the most important single subject right now in this nation. You might ask if they're more important than controlling inflation and federal spending? My friends, strong federal-state relations, with a heavy emphasis on state, are one and the same with controlling inflation and federal spending.

Let's use the upcoming farm bill as an example.

I don't have all of the specifics of the bill at this time. But I think you'll agree that the details we've worked out to date are in line with this administration's commitment to free enterprise and a regulatory environment that gives free rein to incentive.

I find that I cannot reconcile the target price concept with my belief in a marketplace that functions without artificial supports. Target prices are direct, unrepayable outlays from the federal treasury and I will argue for eliminating them from the 1981 bill.

Because loan programs, on the other hand, are repaid, I support a modest increase in the wheat and feed grain price support loan rate.

I believe that the farmer-owned grain reserve has been good for farmers and consumers, and that a simplified program will be even better. We're reviewing the program, including a reserve entry price or special loan rate that encourages farmers to place grain into the reserve.

Remarks prepared for delivery by Secretary of Agriculture John R. Block, before the National Association of State Departments of Agriculture, Washington, D.C., March 17, 1981

The're now in the process of asking Congress for authority to forego the April 1 adjustment in dairy price support levels. This action in no way means I've changed my belief in the historical need for a sound dairy support program. It means only that we're facing today's budget realities and the hard facts of supply and demand exactly as they are and doing what's best for the national interest.

It looks like the national interest will be demanding more from the state side of the federal-state equation in areas such as the Federal-State Marketing Improvement Program and the federal-state market news program.

I can't give you the specifics yet of the budget outlook for these programs, but I can tell you that renewed funding for FSMIP and increased funding for market news are in doubt. The challenge for all of us will be to maintain the same high level of service by increasing efficiency and state involvement.

I think that together we can do it, just as I think we can all meet what may be the greatest challenge facing those involved in American agriculture in this century.

The fact is that this globe is moving toward a more fragile world food situation. The gap between the agricultural production of foreign nations and their consumption is growing at a rate of 4 million tons per year.

The soaring opportunities that this presents for American producers must be balanced with the sobering facts.

In the next 20 years, will your states be able to satisfy an export demand for U.S. agricultural products that's double the 1980 demand while erosion removes nearly 2 billion tons of soil a year from your cropland?

Will your states be able to realize a 60-85 percent increase in total demand for U.S. agricultural products while we're urbanizing 3 million acres of productive land annually?

Will your states be able to meet increasing domestic demand for agricultural products while our productivity rates fall further behind with each decade?

I, for one, think we can do it by taking action now on several fronts.

First, increased productivity means research and research means funding. I'm sharply aware of the urgency of improving our technology base--in production, processing, and distribution--so we can meet the demands of world trade in the next 20 years without depleting our natural resources.

For this reason, in this time of cutbacks, I've supported increased funding for research in the USDA budget. I'm convinced this investment will pay off in production, greater domestic supplies and increased international sales.

Second, I assure you that programs designed to expand commercial exports will get favorable treatment in our budget review.

Those are just some of the issues that you and I will be influencing in the next few years. In my opinion, our decisions will mean nothing less than American agriculture's productivity and mankind's food and fiber supply in the next 20 years.

We've got a tall agenda set out for us. It's a lot of responsibility and a lot of power. Together I think we'll be able to take on the first and earn the second. I look forward to working--and accomplishing--with you.

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Remarks prepared for delivery by Secretary of Agriculture John R. Block, before the Board of Directors of the National Association of Wheat Growers & the U.S. Wheat Associates, Washington, D.C., March 17, 1981

On the face of it, we've all gotten together today just to get acquainted and assure each other of mutual support in the next few

years.

But the bottom line to our common interests isn't so much agriculture as it is inflation.

The private sector and the government not only share the inflationary problem: we're all victims of it.

Farm income was down about 25 percent in 1980 from 1979 to an estimated \$23-\$25 billion. USDA projects that farm income will increase to about \$28-\$32 billion in 1981. This is still below the 1979 level.

Production costs will increase about 10-12 percent for all of agriculture this year.

The inflation situation is critical. And a critical situation demands a critical response. Agricultural programs won't be singled out for cutbacks. But they won't be spared, either.

The question is: what does this mean for farm policy and for our wheat programs?

Let me say first that our budget decisions within USDA are based both on inflation considerations, and on this administration's commitment to free enterprise.

I find, for example, that I cannot reconcile the target price concept with my conviction that the marketplace functions best without artificial supports. Target prices are direct outlays from the federal treasury and I will argue for eliminating them from the 1981 bill.

Because loan programs, on the other hand, are repaid, I support a modest increase in the wheat and feed grain price support loan rate.

I believe that the farmer-owned reserve has been good for farmers and consumers, and that a simplified program will be even better. We're reviewing the program, including a reserve entry price or special loan rate that encourages farmers to place grain into the reserve. We're also looking at trigger prices and how they should be adjusted over time to give the market ample room to function.

As I said earlier, bringing government spending under control is our top priority. Where cutbacks are the appropriate means toward that goal, the ax will swing. Where cutbacks are not the way to go, programs will be evaluated in terms of net benefits they return to the U.S. economy.

One such program is agricultural research. It's urgent that we improve our food and agriculture technology base--and that includes production, processing, and distribution--so we can meet increased domestic and trade demands in the next 20 years.

I've argued a strong case for research's budgetary well-being. And I've won. The President has asked Congress for $17.6 million for total wheat research in the proposed 1982 budget. This is $2.1 million over the 1981 budget.

I also want you to know that I've asked the Office of Management and Budget to exempt from the regulatory freeze the final Rules and Regulations for the Wheat and Wheat Foods Research and Nutrition Education Act. My goal is to publish the final Rules in the Federal Register as soon as possible and move on with the program.

The second area that I feel deserves a favorable budget review is exports.

We estimate that American agriculture will contribute an all-time high of $29 billion to the national balance of payments this year. This trade buys imported goods and generates millions of jobs throughout the economy.

In recent years, the annual value of grain exports has averaged over $18 billion--60 percent of the value of all U.S. agricultural exports. Over one-third of the total U.S. production of grain has been exported in recent years. More than two-thirds of the wheat crop is sold to overseas buyers.

Since trade is one of our most powerful weapons in fighting inflation, programs that expand commercial exports will be getting a favorable budget review.

That's our agenda to date. We don't have all the details worked out yet, but I think you can gather the general direction: programs will be assessed fairly according to their contribution to the national good. We'll be looking for your support in this all-out attack on inflation. Thank you.

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Testimony

U.S. Department of Agriculture • Office of Governmental and Public Affairs

STATEMENT OF RICHARD E. LYNG DEPUTY SECRETARY OF AGRICULTURE BEFORE THE HOUSE AGRICULTURE COMMITTEE SUBCOMMITTEE ON FORESTS, FAMILY FARMS AND ENERGY, MARCH 16, 1981

Mr. Chairman and Members of the Committee: I am pleased to appear before this Committee to discuss the budget and revenue aspects of the alcohol fuels program activities of the U.S. Department of Agriculture.

President Reagan has made clear that this Administration's highest priority is to restore real economic growth to the nation. This is an urgent need and an objective that I believe we all share. The overall economic policy to accomplish these goals is based on:

- -- Increasing production and employment in the private sector,
- -- Reforming the present tax structure to provide added incentives for private economic activities, and
- -- Reducing the unacceptably high interest rates by reducing the level of federal borrowing.

President Reagan has announced a series of significant reductions that cut across the entire Federal government. In considering the fiscal year 1982 budget, we have tried to deal with those programs that have a major impact on government spending.

With regard to alcohol fuels, the Administration recommends that the alcohol fuels biomass loan program administered by USDA be terminated. About $500 million of the $525 million provided to the Department for carrying out this program under Title II of the Energy Security Act, will be rescinded over the next two years. A companion program administered by the Department of energy is also being recommended for termination.

Other incentives, especially tax incentives, are sufficient, we believe, to encourage alcohol fuel production. Existing federal and state tax incentives are estimated to be as much as $18 per barrel. Furthermore, as a matter of basic economic policy, the Administration believes that private lenders should be investing in these activities

without government participation. Removal of price controls on domestic crude oil may make biomass and alcohol fuel investments more attractive. Finally, the Administration's proposed changes in the tax laws relating to investments will attract capital to strong projects.

On January 27, 1981, Secretary Block directed a temporary halt to further approval and processing of certain loans for alcohol fuel projects under the Business and Industry Program of the Farmers Home Administration. This action was taken in response to a critical report from the Department's Office of Inspector General about the approval procedures for those loans. There was special concern that the obligation process was not completed before the end of FY 1980, the year for which the loan obligations were reported. A total of 15 loan guarantees was involved.

On February 18, the Department announced that a review had been completed on seven applications, and on February 20, the Department announced the review had been satisfactorily completed on the others. These reviews prompted recommendations for correcting deficiencies in the individual proposals. All 15 loan applications are now being processed. Details on the status of each of the 15 loans are attached to this statement and are submitted for the record.

The President's budget for 1982 also calls for the elimination of the Business and Industry loan program. This program has been limited to guaranteed loans made by private lenders. Its elimination will not necessarily reduce federal costs or borrowings. But it will allow private sector market forces to operate more effectively in the allocation of capital resources.

A substantial portion of the B&I guarantees in 1981 will go for alcohol and biomass fuel production. To a large degree this activity represents a carryover of projects that were underway prior to the issuance of regulations for the program that was to be put into place in response to the Energy Security Act.

This concludes my prepared testimony, Mr. Chairman. I will be pleased to try to reply to any questions you or the members of the committee may have.

STATUS OF THE 15 ALCOHOL FUEL LOANS LOANS THAT WERE RETURNED TO THE VARIOUS STATES FOR FURTHER PROCESSING

NAME	STATE	TOTAL FmHA LOAN AMOUNT
Florida Ethanol, Inc.	FL	$10,000,000

STATUS: State Office has completed review and docket is on the way back to National Office.

Southeast Energy Group	GA	$19,327,000

STATUS: There will be some major revisions in this loan. No estimate of timing.

Power Alcohol-Idaho	ID	$8,700,000

STATUS: State Office review nearly complete. Expect to send back to National Office within 2 weeks.

Consolidated Energy Group	IA	$25,157,000

STATUS: Still being processed by State Office. No set date when will be returned to National Office.

Agrifuel Corp.	IA	$5,600,000

STATUS: Still being processed by State Office. No set date when will be returned to National Office.

Ethanol Motor Fuel Assoc.	IL	$20,000,000

STATUS: Still being processed by State Office. No estimate on time frame to return to National Office.

Kentucky Agricultural Energy Corp.	KY	$35,200,000

STATUS: Has been returned to National Office and is being prepared to go to Loan Committee.

Goodwill Agri-Fuels	LA	4,220,000

STATUS: State Office is waiting for information from lender

and borrower. No estimate as to when it will be sent to National Office.

Enerhol, Ltd.	MI	$19,000,000

STATUS: Has been returned to National Office and is being prepared to go to Loan Committee.

Agri-Energy, Inc.	MN	6,300,000

STATUS: State Office is meeting with principals on March 13, 1981. No estimate as to when it will be sent to National Office

Montana Agriprocessors	MT	$2,150,000

STATUS: State Office awaiting response from the applicant as to the requirements that were presented.

Continental Alcohol Fuels	NC	$50,000,000

STATUS: State Office is meeting with principals on March 13, 1981 Hope to have enough required information to immediately review and send to National Office.

South Point Gasohol	OH	$32,000,000

STATUS: State Office is meeting with DOE (they are joint financers) week of March 6, 1981. Looks quite favorable and docket should be back in soon.

Tiger Tail Distillery	TN	$66,858,000

STATUS: State Office has advised the borrower of our requirements and is awaiting reply. No indication of the time frame to be returned to National Office.

Mapco, Inc.	TX	$37,260,000

STATUS: State office has advised the lender and borrower of our requirements and is awaiting reply.

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STATEMENT BY SECRETARY OF AGRICULTURE JOHN R. BLOCK BEFORE SENATE APPROPRIATIONS SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT AND RELATED AGENCIES MARCH 17, 1981

Mr. Chairman and members of the Committee, it is indeed a privilege to appear before you today. Like you, Mr. Chairman, I have not had much time in my new job. However, I look forward to working with you and continuing the fine rapport which the Department has established with the distinguished ranking minority member of this Committee.

During President Reagan's campaign and since taking office, he has made clear his commitment to restore real economic growth to the nation. That is this nation's most urgent need and an objective that we all share. The overall economic policy that can accomplish these goals is based on the following points:

--The key to increased economic growth and increased employment is to restore adequate incentive for production in the private sector. Economic growth rises out of increased production, and production comes from the efforts of businesses and individuals who have faith in the future.

--The present tax structure--as it applies to both businesses and individuals--and the present level of many public sector activities create serious and far-reaching disincentives to many important, private economic activities.

--The present unacceptable high interest rates and high inflation rates--both in real and psychological terms--are directly linked to the present level of federal borrowing required to support federal loan activities and to finance continuing deficits in the federal budget.

--The best way to lower inflation, reduce interest rates, increase business investment, and enhance economic growth is to reduce the overall level of federal activity and to encourage private economic activity.

As we begin this new administration, it is necessary to focus our attention immediately on three very important areas: tax reductions, regulatory relief and budget reform. The impact on the economy of each of these, and the impact of proposed changes, must be clearly

understood if we are to strengthen the economy. This understanding and this responsibility will require a continuing dialogue between the administration and the Congress.

That process is already underway. My purpose here today is to further and strengthen that cooperation.

At the Department of Agriculture one of our first tasks will involve legislation. The department's basic farm legislation expires at the end of this year. The programs authorized by this legislation are vital both to agriculture and to the American public. Those programs provide needed stability for America's farmers and American farm production. We will review the operation of the commodity loan and reserve programs, including reserve release and call price levels. These programs are designed to help farmers hold grain until the market reaches fair price levels. We will recommend the necessary changes in these programs to assure that farmers have the support necessary to provide adequate and dependable supplies of food and fiber. If we will stem the tide of rising production costs by bringing inflation into line--along with very aggressively expanding U.S. exports--we will bring favorable returns to farmers and greatly reduce the need for government intervention in the farm sector.

Agriculture continues to be a shining light in an otherwise dismal picture of international trade balances. Our agricultural exports in fiscal year 1980 totaled $40.5 billion and are projected to reach $47 billion during fiscal year 1981. The agricultural trade balance in fiscal year 1980 reached $23 billion and is expected to reach $28 to $30 billion in fiscal year 1981. Were it not for agricultural exports, the U.S. would have had an estimated foreign trade deficit in 1980 of $50 billion. We intend to pursue efforts aggressively to increase productivity and to expand our export markets.

I think it is important for all of us to understand that rising production costs continue to cut into farmers' profits and undermine their economic well-being. These conditions will in the long run effect consumer prices. Yet, we must keep in mind that we Americans are paying a smaller percentage of our incomes for food today than we did in 1950, far less than most of the rest of the world.

I do not believe it is necessary to make a tradeoff between consumers and farmers. Consumers and farmers have been and will

continue to be partners. However, consumers cannot and should not ask farmers to produce food at a loss. In the long run, a strong farm economy is in the consumer's best interest. Our legislative program will help assure adequate supplies of food, at a reasonable price to the consumer, with a fair return for the farmers.

Our food is the most plentiful, nutritious, healthful, safe, and reasonably priced in the world. A strong, prosperous farm economy will assure consumers that it will stay that way in the future.

We are also reviewing all of the department's other legislative authorities. It is our desire--and I am sure the Committee's desire--that federal spending be reduced by tightening up on program management wherever possible, while continuing to provide assistance for those most in need. Our legislative agenda will reflect this delicate balance.

On the regulatory side, regulatory relief and reform will be a priority of the Reagan administration and of my tenure in the department. As a farmer, and as a state official, I have seen first-hand the burdens and problems that unnecessary federal regulations can create--and the dampening effect they can have on productivity. We are committed to reviewing our existing regulations to see that they are more clearly written, that they are no broader than necesssary, and that functions that the states can perform more effectively are indeed left to the states. We must also carefully consider the impact of the regulations on those affected by them and know that we have selected the most cost-effective way of regulating permissible under the law. Those same principles will guide our development of any new regulations that the department issues.

Two requests for supplemental appropriations are currently pending before the Congress that I am very concerned about. The first is to provide funds to operate the Federal Crop Insurance Corporation during the last half of this fiscal year. We hope to implement this program nationwide to permit substantial reduction in federal payments for various disaster payment programs. Based on the legislative history established for the fiscal year 1981 appropriation act, Federal Crop Insurance Corporation has proceeded with full implementation of the nationwide program in fiscal year 1981. As a result, in early April, the agency will have exhausted all available operating and administrative funds and will not be able to continue operations.

The second is to enable us to continue the current level of food stamp benefits through the balance of the fiscal year. Without additional funds, I will have no choice but to reduce benefits to those in need of food stamps. Your assistance in obtaining passage of these supplemental appropriations is urgently needed and will be greatly appreciated.

Finally, with respect to the FY 1982 budget, President Reagan has announced a series of significant reductions that cut across the entire federal government. Some of the key changes to the USDA FY 1982 budget include:

FEDERAL CREDIT PROGRAMS

Farmers Home Administration Loans. We are recommending a reduction of $2.8 billion in new direct and guaranteed lending by this agency. The recommended loan level is $8 billion rather than the $10.8 billion included in the January budget. FmHA has loaned more money in the last three years than in all prior years of its existence. It is apparent that the federal government is taking over a larger and larger segment of private lending and thus the federal government rather than the private sector is allocating more of our available capital. It is imperative that we get these lending programs under control, allow credit market forces to allocate more of the capital, and let FmHA get its management activities in order. We will continue, however, to target resources for the most needy. In this regard it should be noted that funds to provide operating capital for family farmers will exceed $1.3 billion in 1982 compared to $850 million in 1981 and funds for low income housing are protected at the 1981 level of $4.3 billion. Other lower priority programs are being reduced or terminated. We are recommending the termination of the Business and Industry Loan Program. We believe the private sector should provide the credit to rural business and industry without government intervention.

We are also recommending that the $500 million alcohol fuels-biomass loan program administered by USDA be terminated. A companion program administered by the Department of Energy is also being recommended for termination. We believe that other incentives, especially tax incentives, are sufficient to encourage alternative fuels production. Furthermore, I believe that private lenders will and should

be investing in those activities without direct government intervention.

We are also proposing legislation to bring FmHA's interest rates more in line with the private sector, and to eliminate emergency loans to borrowers who can obtain credit elsewhere.

Rural Electrification Administration Loans. We are recommending two major changes in this area. The first is a 25 percent reduction in all direct lending activities for REA, which is consistent with our reduction in credit programs in FmHA. This reduction includes the elimination of all direct loans for telephone systems and for electrical generation and transmission facilities. The special 2 percent interest rate on direct loans for other electrification purposes would also be eliminated.

The second change for REA is to eliminate the Federal Financing Bank as a source of funds for the loans guaranteed under the program. We believe that these loan activities should be shifted to the private sector.

Having grown up on a farm, I am aware that REA has done a great job of bringing electricity to the nation's farms. This lightened the back-breaking physical work and the drudgery in the home and on the farmstead; it brought modern conveniences to the family; and it modernized and mechanized farm tasks--but that job is largely done, and what remains can be done through greater reliance on the private sector. The same urgency and need no longer exists. We can turn our attention and our funds to other more pressing things.

DOMESTIC FOOD ASSISTANCE PROGRAMS

Child Nutrition Programs. For these programs, we will continue to protect fully those children whose families are at the lowest end of the income spectrum. We are, however, proposing to eliminate the major subsidies for children whose family earnings are in excess of 185 percent of the poverty level and to reduce the subsidy for children whose family earnings are between 125 and 185 percent of the poverty level. This would mean that the average cost to the child of a reduced price lunch would go from 20 cents to about 64 cents. However, school districts would continue to receive an average federal subsidy of 64 cents per meal. We are proposing to eliminate the summer feeding program, the special milk program from schools having another federal feeding program, and school feeding programs in private schools that

charge more than $1,500 annually for tuition. These proposals will reduce costs from the January budget by about $1.5 billion, while continuing to provide a free lunch and milk to the neediest children.

I take a back seat to no one in my concern for the welfare of needy children. I intend to see that they are taken care of. But some of our food programs have grown into middle class welfare. The federal government presently contributes over 32 cents to every school lunch served to children from families making $17,000 or more per year. This nation has given those of us in the legislative and executive branches of government a clear signal--this kind of welfare does not have a place in an economy struggling to reduce deficits, curb inflation, restore economic incentives, create jobs, build our national defense, and get this country going again.

The Food Stamp Program. In this program our policy once again is to protect those at the lowest end of the income scale and to take care of the truly needy. Our proposals will have the effect of eliminating from the program people whose gross income is above 130 percent of the poverty line while essentially protecting the benefits of those who remain in the program. In addition, we are recommending:

-- A reduction in food stamp benefits for those families who have children currently receiving free school lunches. This will reduce duplication of benefits between the school lunch and food stamp programs.

-- Freezing deductions for the determination of benefit levels.

-- Instituting a number of management changes, including prorating first month benefits to recipients to ensure that benefits are more equivalent to the number of days in the month for which assistance is needed, and calculating benefits based on actual recent income rather than projected income.

As you know, the food stamp program is designed to alleviate poverty caused hunger in the United States. It does so by providing a federal subsidy towards the purchase of a specific diet known as the thrifty food plan and by assuring that no family need contribute more than 30 percent of its own income towards the purchase of that diet. Depending on income, an individual's per meal subsidy can be as high as the full cost of the thrifty food plan, approximately 70 cents. The changes we are recommending will preserve these basic program

concepts. We are seeking to limit eligibility to those who would have to pay more than 30 percent of their income to purchase the thrifty food plan. Within the basic eligibility criteria, actual benefit levels will be tailored to need on a case by case basis. Duplication of benefits with the school lunch program will be eliminated.

All told, these changes are expected to save $1.8 billion in fiscal year 1982. These changes do not eliminate the need for the food stamp supplemental in fiscal year 1981. However, administrative changes and improved management of the food stamp program has allowed us to reduce the pending supplemental request of $1.36 billion by $152 million.

Food Assistance to Puerto Rico. We are proposing a new approach to nutrition assistance in Puerto Rico. Under a block grant proposal Puerto Rico will have the discretion to design a food assistance program that serves the neediest in its population, relies on the local agriculture, and reduces dependence on the federal government. Net savings will amount to $306 million, including $27 million for child nutrition programs, $275 million for food stamps, and $4 million for the Women, Infants, and Children program.

Women, Infants, and Children Program. We are also proposing to retarget the WIC program to only the neediest. Reductions in funding of $327 million and in average monthly participation of 700 thousand will be realized primarily through normal turnover. Participants that leave the program because their income or nutritional status has improved will not be replaced. The highest priority categories within WIC, that is, nutritionally deficient pregnant and breast feeding women and their infants will continue to be served.

WIC is the kind of program that is most difficult to deal with in the present budget environment. It appears to be a worthwhile program. Certainly those who benefit from it will testify as to its effectiveness for them and there are studies which seem to confirm that testimony. On the other hand, WIC is a costly program. While states contribute to its administration, the federal government pays all program costs and the federal share of administrative costs indicates an overhead level of over 20 percent. The federal budget for WIC has increased from $155.4 million to $943.9 million during the 1976-1981 period and we are still only reaching 25 percent of the potentially eligible population.

Continued growth of this program would therefore inevitably lead to even greater budget costs. Our proposal, essentially, is to hold funding to the level provided in fiscal year 1980 and work with program sponsors to assure that the limited available resources are provided to those who are most in need.

COMMODITY CREDIT CORPORATION

Dairy Payment Program. This program has become very expensive and continues to encourage increased production as government dairy surpluses grow. The American people need, and want, adequate dairy production. Dairy farmers are beset by high costs and rigorous health regulations--and no one works harder, seven days a week, than our dairy farmers. But we cannot justify a program that generates increasing dollar costs and mounting surpluses at the same time. That can't be in the long-term best interest of dairymen. We are proposing legislation which will eliminate the April 1 semi-annual cost index adjustment. This will produce $138 million in savings in fiscal year 1981 and additional savings in subsequent years. We will conduct a thorough review of the dairy program as part of our continuing review of all commodity programs preparatory to working on a 1981 farm bill.

Other CCC Changes. Included in the Reagan budget for FY 1982 are savings of $312 million for the farm storage facility loan program, elimination of the first year interest waiver on reserve grain loans, and setting interest rates on loans at the full cost of money.

As part of the new farm bill, I will recommend that authority for target prices and deficiency payments not be extended. Payments from the Treasury--which are not recoverable--are inconsistent with an agriculture in which producers receive their income from the market place. Eliminating the deficiency payment program will greatly reduce our budget exposure.

We are also recommending a $100 million reduction in P.L. 480 as part of a general reduction in government outlays. Most of this reduction will come from the Title I concessional sales program. We will need to maintain a tonnage level of 1.7 million tons under the Title II donations program to meet legislated requirements.

CONSERVATION PROGRAMS

Conservation activities. The programs of the Soil Conservaton Service, the Forest Service and the conservation activities of the Agricultural, Stabilization and Conservation Service are all relatively high priority items for this administration. The overall reductions in these programs amount to only about 4.5 percent from the Carter budget.

There is a $12 million reduction in watershed planning and construction activities of the Soil Conservation Service. This proposal is part of a government-wide reduction in water resource programs.

There is a $60 million reduction in Forest Service programs. The largest single item is a $25 million reduction in forest road construction and reconstruction which we expect fully to offset by revision of road standards and reducing reconstruction of existing roads. These savings can be realized without reducing current or future year timber sale targets. There are other reductions in selected programs which generally are limited to foregoing program increases budgeted by the prior administration.

Conservation cost-sharing programs of the Agricultural Stabilization and Conservation Service are slated for a $55 million reduction. These are programs under which the federal government makes direct payments to individuals for conservation practices. Proposals to make reductions in these programs stem from the administration's overall economic policies to place greater reliance on the private sector for such investment decisions. Furthermore, the administration's proposals on investment credits and depreciation will provide additional incentives to invest in conservation practices.

I know and understand the difficulty this committee will have in dealing with these changes I have discussed today. They raise important and difficult issues and the time available to consider them is short. Reducing federal spending is never easy but we must do it and we must do it now--if not, the federal deficit will soar to alarming heights in FY 1982. The American people have told us that is not satisfactory.

I am sure that by working together, and by making hard choices together, we will be able to develop sound programs and financial proposals for the Department of Agriculture. They will help revitalize the American economy and help us grow as a nation to new heights of accomplishment, full of promise for our people and our farmers.

At the foundation of it all, is a profitable, productive agriculture which permits farmers to adjust to marketing opportunities, maintain a modern farm plan, conserve the soil, use energy wisely, and participate in a renewed future for them and their children.

Thank you.

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STATEMENT OF JOHN R. BLOCK, SECRETARY OF AGRICULTURE BEFORE THE HOUSE FOREIGN AFFAIRS COMMITTEE WEDNESDAY, MARCH 18, 1981

Mr. Chairman, members of the Committee: I appreciate the opportunity to meet with you today to discuss some of the key issues facing U.S. agriculture in the world.

U.S. agriculture has a dynamic role to play in the world economy. Exports of U.S. farm products in fiscal 1981 are expected to top last year's $40.5 billion by a wide margin--and will provide the U.S. economy with jobs for U.S. workers and an agricultural trade surplus approaching $30 billion. That's a critical contribution in a time when our unemployment rate is higher than we would like it to be and when our international trade accounts are considerably in arrears, due to big bills for oil and other imports.

This Administration views long-term, stable, and sustainable export growth as critical to our Nation's economic health. That goal requires domestic farm programs that permit profit to farmers--and trade policies that eprmit U.S. farmers to sell their commodities with less difficulty in present overseas markets and to open new overseas markets.

We believe the appropriate role of government in attaining this goal is to help promote and to help expand exports by producers and commercial traders through programs of market development, credit, and trade assistance. Government also has a responsibility to guard against any growth in trade restrictions or other unfair practices that might jeopardize foreign purchases of U.S. agricultural products.

In other words, the basic agricultural and trade policies of the current administration will be directed at:

--improving and maintaining access to foreign markets.

--developing programs to assist farmers to insure that the United States will be competitive and dependable suppliers of high-quality food to world markets.

--expanding programs of public and private market development.

--controlling inflation which could cost us our competitive position in markets.

We plan to implement these policies through what I will describe as a four point program that will alllow us to:

--cut taxes and increase net farm income.

--cut government outlays, with USDA taking its fair share of reductions.

--reduce the number of regulations facing U.S. agriculture. We in USDA are in the process of studying these right now.

--and stabilize the money supply, helped by increased agricultural exports, with special attention to value-added export products which create jobs for U.S. workers in their processing and handling.

The need to bring inflation under control is one of the most critical problems we face at the present time. It has been foremost in our minds as we prepared our budget request for 1982.

Agricultural Export Prospects

For example, the President's budget proposals for 1982 reflect our belief that a strong market development program will be essential to our agricultural export prospects in the coming decade.

The key factors for U.S. agricultural exports in the 1980's will be to develop sales in such newly emerging market areas as China, Eastern Europe, and the developing world, while staying competitive in our traditional markets such as Japan and Western Europe.

The 1980's are expected to be a period of adjustment in the world's agricultural sector--adjustments to slower economic growth in most countries, to smaller gains in agricultural productivity due to higher prices for energy-based inputs, and to relatively higher food and energy costs.

Although Western Europe and Japan will remain our la rgest agricultural markets in the 1980's, we expect the greatest growth in food demand and U.S. exports to be in the upper and middle income

developing countries--such as Korea and Taiwan and the rapid-growth economies of North Africa, the Middle East, and East Asia. In these countries, gains in consumer incomes will go to buy more and better food.

Keep in mind, however, that there are two distinct parts to the Third World--and that part comprised of low-income developing countries without petroleum resources is likely to be in bad shape. The sharp hike in oil prices in recent years, a burden to most oil-importing nations, has been catastrophic for the world's poorest nations.

While the cost of petroleum and capital equipment has been rising for these countries, the value of many of their commodity exports has declined. Thus, we are likely to see a deterioration in the capacity of the oil-deficit develping countries to import food commercially--or to import the fertilizer, capital equipment, and other items necessary to increase or sometimes even maintain their own domestic food production.

These countries are likely to need more U.S. food aid--rather than trade--in the 1980's.

P.L. 480

The needs of these oil-deficit countries were considered carefully as we prepared our 1982 budget proposals for P.L. 480. While the Administration has recommended a reduction in the P.L. 480 program of $100 million in 1982, the program will still be funded at a level that will alllow us to provide adequate aid to those countries in real economic need.

This Administration supports the P.L. 480 program because we believe it has, for the most part, accomplished the purposes set out for it when it was enacted in 1954. Since that time, it has furnished a major share of the world's food assistance; it has fed millions of children with milk and other foods to help them sustain life. It has stimulated agricultural and economic development that has brought many countries into the world economy as important commercial customers for U.S. agriculture.

In this regard, the number of former P.L. 480 recipients that have "graduated" to buying U.S. agricultural products on commercial terms continues to grow. Among them are Japan, a $6-billion U.S. market last

calendar year, and Spain, Taiwan, and South Korea--all in the billion-dollar class.

World Food Situation

The proposed budget cuts for the P.L. 480 program are drawing criticism from some who are worried about the present state of the world's food situation.

Indeed, the world's food supplies in 1980/81 are tighter than they have been in several years, following the dismal performance due to weather of many countries' agricultures during 1980. Global food production last year was about the same as in 1979. The output of the developing countries rose by about 4 percent--but the continuing rise in their populations precluded any per capita production gains. In the developed countries, food production fell by 2 percent, and there was a per capita decline of 3 percent.

The pressure on world supplies this year will be largely in the feed-livestock sector. There was a 14-percent drop in the U.S. feed grain crop-corm, oats, barley, and sorghum--in 1980, although large 1981 Southern Hemisphere coarse grain crops have temporarily eased expectations of possible grain shortages.

World oilseed production was also off considerably in 1980/81, and the immediate outlook depends heavily on the soybean harvest this spring in Brazil and Argentina and on demand and price developments in the vegetable oils market.

The world food grain situation is not as tight as that for the other major commodities. Nevertheless, record consumption will force global wheat stocks down about 12 percent--all of this drawdown occuring outside the United States.

Because global stocks of many food commodities are relatively small, the weather and its effect on crop production will have greater bearing than usual on the world food situation in 1981/82. However, indications so far--and it's still quite early in the growing season--are for better crops this year than last.

For example, early season prospects continue to indicate an increase in global grain output in 1981/82 and the likelihood of stock rebuilding, especially of wheat.

We are hopeful that the 1981 crops will be better than in 1980--and we are monitoring the situation closely.

Our best hope of meeting the world's food needs now and in the future is to adopt agricultural policies at home and encourage policies abroad that lead to profits for producers and market orientation. Our reserves, including farmer-owned as well as the special food security reserve, will serve as a back-up if production should fall short.

This administration's agricultural policy recognizes that the United States must sell a large part of its farm production overseas. This requires efficient production combined with aggressive commercial marketing of American farm goods, tied with concessional sales to needy developing countries and out-right food grants to nations in emergency situations. With that sort of agricultural policy, both domestic and foreign consumers will benefit, as will the American farmer.

The USSR Embargo

I will close with a few words about the embargo of U.S. agricultural and certain other exports to the Soviet Union, which has now been in effect for more than 6 months.

As President Reagan has said, a decision with respect to the removal of that embargo has not been made. There are several factors that the President is weighing. The outcome of his deliberations may either lead to lifting the suspension or imposing a broader trade embargo. There is an understandable reluctance to take any action now which might constitute a wrong signal to the Russians while they are in the midst of calculated aggression against other countries.

Mr. Chairman, that concludes my statement. I will be be pleased to answer questions.

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STATEMENT BY RICHARD E LYNG, DEPUTY SECRETARY OF AGRICULTURE BEFORE THE SUBCOMMITTEE ON TOBACCO AND PEANUTS, HOUSE COMMITTEE ON AGRICULTURE MARCH 18, 1981

Mr. Chairman and Committee members, I am pleased to meet with you today

As you know, we recently announced the loan rates for 1981-crop peanuts. The announced levels are .655 per ton for quota peanuts and $250 per ton for additional peanuts, the same levels that were in effect for the 1980 crop. Many producers have expressed concern over the decision not to raise the quota loan rate for the 1981 crop, and I welcome this opportunity to explain why that decision was made.

The Agricultural Act of 1.69, as amended in the 1977 law requires that the quota loan level be not less than .620 per ton. It may be increased, however, on the basis of nine specific factors including the supply of the commodity in relation to its demand, the price support levels for other commodities, the availability of funds, the perishability of the commodity, the importance of the commodity to agriculture and the national economy, the ability to dispose of stocks acquired through price support operations, the ability and willingness of producers to keep supplies in line with demand, the need for offsetting temporary losses of export markets, and any change in the prices paid index during the preceding year.

Each of these factors was considered carefully and, based on those considerations, a range of options was studied. After fully considering all of these factors, a continuation of the 1980 quota loan rate of with a $250 per ton level for additional peanuts, implies that the total per acre return from both quota and additional peanuts will cover around 95 percent of the national average cost of production.

We know that many growers are urging quota price support loan levels much higher than the .655 per ton that was announced last February 12. Certainly, I am sympathetic with the concerns of growers who had extensive crop losses last year and now face heavy debt repayments. We recognize the efforts made by peanut producers to reduce overproduction and heavy government costs by supporting reductions in the poundage quota. And, there are some positive signs regarding this program.

Current supplies are extremely short, and 1981 crop early season peanuts are being contracted at high prices--$700 per ton and higher. I view this as a very encouraging development.

However, our estimates indicate that a higher quota loan rate might jeopardize these positive developments. It could give producers an additional incentive to produce, and might mean surpluses and higher costs--something we want to get away from.

Under these circumstances, an increase in the quota loan rate would be precisely the wrong economic signal to give peanut producers. And, frankly, at this time of nationwide concern about government costs, we believe it would also be the wrong signal to give the Congress and the Nation about the peanut program. All government programs are being examined carefully in order to minimize program costs. We are especially concerned about programs that unnecessarily restrict production or result in excess production.

Finally, Mr. Chairman, we have been spending considerable time in recent days talking to farmers, Congressmen, and others. We have been quite emphatic with each of those groups about the damage inflation is causing and the importance of bringing federal spending and inflation under control. No program can be immune. Every industry and every group is being asked to work with us and with the Congress to insure all our programs are based on essential needs.

Peanut producers are having a doubly hard time this year. Dry weather ruined crops in many areas. Producers saw prices rise sharply but many had little or nothing to sell.

But now we must look toward the future. Peanuts face a growing demand overseas. As a superior food product that American farmers produce efficiently in competition with the world's producers, the future for peanuts appears to me to be bright, especially when compared to the past.

I know from my experience in California that many of our crops, if given an opportunity, can compete effectively in foreign markets and bring increased prosperity to our farmers. Take, for instance, almonds. At the end of World War II, there was a surplus of almonds in the U.S. because the demand for chocolate almond candy had fallen significantly. Initially, in the 1950's, supply control mechanisms were established through market orders. However, during the 1960's and

1970's, the industry began to market almonds aggressively in both foreign and domestic markets. The results were extremely encouraging. Surpluses are no longer a major concern to the industry. Between 19.6 and 1979, acreage increased .60 percent and exports increased forty-eight fold. Since 1970, almond production (shelled basis) increased 165 percent. Between 19.6-1979, farm value increased from $19.5 to $579 million.

I see a similar possibility for peanuts. I am impressed by the industry's success in selling U.S. peanuts, especially in foreign markets. Our exports increased from.6.6 million pounds in 1975/76 to 1.1 billion pounds in 1979/80. The U.S. share of annual world peanut exports increased from about 13 percent in 1976 to nearly 51 percent in 1978/79. I know that those successes come from hard work and aggressive market development programs like our current cooperative industry-USDA effort to use TV, in-store advertising, and consumer education to teach Europeans to make and use high quality peanut butter. Specific programs have been targeted in the United Kingdom, West Germany and the Netherlands with growing success.

We believe that the peanut industry, like our feed grain, soybean, cotton and wheat producers can, with their ingenuity and productivity, realize full returns when they produce for growing domestic and world markets--returns and income levels that can never be realized when a significant share of production is for government programs alone. We see strong evidence that demand is increasing rapidly and that the outlook is favorable. If we had not had such bad weather last year, we would be in a much better position to build and fill those markets than we are. Still, we expect the expansion of international peanut markets to resume and we stand ready to work with the Congress and with the industry to cooperate in every way we can.

Thank you very much. I will be glad to answer your questions.

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News Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

OVERSEAS RESEARCH MAY HELP U.S. RICEGROWERS

WASHINGTON, March 16--The U.S. Department of Agriculture has awarded a 5-year, $108,157 grant to the Pakistan Agricultural Research Council in Islamabad to study methods for controlling insect and weed pests in rice and sugarcane crops.

According to Quentin West, director of USDA's Office of International Cooperation and Development, the Pakistani research may uncover naturally occuring pathogens which could control barnyard grass, and be less damaging to the environment than conventional herbicides. West said barnyard grass, common to both the United States and Pakistan, is the worst weed pest affecting U.S. rice crops and requires heavy applications of herbicide to control.

The researchers will evaluate chemical and non-chemical methods of weed and insect control which can be combined in a single pest management system, West said.

The research may also identify new species of weed pests for inclusion on lists of quarantined plants not allowed into the United States, West said. Most major weed pests in this country are not native plants, but were introduced accidentally or without enough information on their damaging effects, he said.

The research is being funded under the special foreign currency research program of Public Law 480. The law provides funding for scientific research overseas that is beneficial to U.S. agriculture by using U.S.-held foreign currencies which are not convertible to dollars.

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C. W. McMILLAN SWORN IN AS ASSISTANT SECRETARY OF AGRICULTURE

WASHINGTON, March 18--C.W. McMillan was sworn in today as assistant secretary of agriculture for marketing and transportation services by Secretary of Agriculture John R. Block.

McMillan was appointed to that position by President Ronald Reagan Jan. 30, and confirmed by the U.S. Senate March 17. He had been vice president for government affairs for the National Cattlemen's Association.

McMillan was born Feb. 9, 1926, in Fort Collins, Colo. He served in the U.S. Navy from 1943 to 1946, when he was discharged as a lieutenant (jg). He received his B.S. degree in economics from Colorado State University, Fort Collins, in 1948.

McMillan was an assistant 4-H club agent, a county agent and a faculty member at Colorado State University from 1948 to 1954. In 1954, he became division head for agricultural research for Swift and Company, Chicago.

He joined the American National Cattlemen's Association (ANCA) in 1959, as executive vice president. From 1970 to 1977, he was executive vice president for Washington affairs. The National Cattlemen's Association was formed in 1977 with the merger of the ANCA and the National Livestock Feeders Association.

McMillan is or has been a member of the executive committee of the National Environmental Development Assoc.; the Secretary's Advisory Committee on Foreign Animal Diseases, USDA; the Food and Agricultural Committee of the Chamber of Commerce of the U.S.; the Newcomen Society of North America; the National Press Club; and the Capital Hill Club.

McMillan is married to Jardell Hollier. They are the parents of three sons.

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U.S. FOOD PRODUCTS ON EXHIBIT IN JAPAN

TOKYO, March 18--Japan is "well on its way" to becoming the first billion dollar market for U.S. consumer-ready food products, according to U.S. agricultural attache Dudley Williams.

Williams made the statement yesterday as more than 60 U.S. companies put their food products on display at an international exposition devoted to foods prepared and packed to meet the needs of Japanese hotel, restaurant and food service users.

The U.S. group is among 600 companies from 13 countries competing for a share of the market in Japan's large and growing food service industry at the "Foodex Japan '81," held at the Tokyo International Trade Center in Harumi.

Last year's exposition drew 91,000 industry visitors, and the Japanese sponsors expect more than 100,000 will have attended this year's event by the time the show ends Friday, Williams said.

Williams said consumer-ready foods are an increasingly important U.S. export to Japan, where both the retail and food service markets are growing.

"The bulk commodities--grain, soybeans, cotton and tobacco--will continue to be our 'bread and butter' in Japan," he said, "but our consumer-ready exports have more than doubled in the past 5 years."

"It's true they represented only 13 percent of our total agricultural exports to Japan last year, but that's 13 percent of $6.1 billion, so we're talking about a market worth over $800 million dollars, and it's growing."

Williams said beef was the leading U.S. consumer-ready export to Japan in calendar year 1980, valued at $142 million, followed by citrus fruits at $134 million.

However, exports of processed foods taken together are growing the fastest, more than tripling since 1977 to $266 million last year, Williams said.

Red meat and poultry are prominent at the U.S. exhibits, but the foods being shown range from canned vegetables to marshmallows, and from farm-raised salmon to papayas.

Four state governments and six U.S. Department of Agriculture market development cooperators are exhibiting at the show. The states are Hawaii, Indiana, Michigan and Oregon. The cooperator groups include the American Soybean Association, National Potato Promotion Board, Poultry and Egg Institute of America, U.S. Meat Export Federation and the Cling Peach Advisory Board and Avocado Commission of California. The Old West Regional Development Commission is also represented.

The U.S. exhibit is sponsored by USDA's Foreign Agricultural Service.

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USDA EXPERTS TO HELP MODERNIZE CHINA'S STATISTICAL PROGRAMS

WASHINGTON, March 18--A three-member team of U.S. statisticians and data processing experts will leave March 19 for a three-week trip to China to study and help develop that country's data processing and remote sensing capabilities.

According to Quentin West, director of the U.S. Department of Agriculture's Office of International Cooperation and Development, the team will learn about China's natural resource inventory, assist the Chinese with land classification procedures and techniques using remote sensing, and recommend ways of strengthening China's long range statistical research programs.

Marshall L. Dantzler, assistant to the deputy administrator for statistics with USDA's Economics and Statistics Service, will head the team, according to West. Other team members are James E. Ramey, head of the data processing production support section, and George May, a USDA remote sensing specialist.

The USDA team will meet with representatives of China's State Agricultural Commission and its Ministries, the State Statistical Bureau and the Science and Technology Commission.

West said this is the fifteenth visit of U.S. agricultural experts to China under the exchange agreement signed between the two countries in January 1979, and coordinated by the Office of International Cooperation and Development. Earlier U.S. teams have concentrated on germplasm, biological controls, forestry, and soil conservation.

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CCC SELLS 60,000 TONS OF NON-FAT DRY MILK TO MEXICO

WASHINGTON, March 18--The Commodity Credit Corporation has sold 60,000 metric tons of non-fat dry milk to Mexico, according to Richard A. Smith, acting general sales manager of the Foreign

Agricultural Service.

The milk, part of CCC's surplus inventory, was sold for $1,225 per ton. Deliveries are scheduled over the next 12 months, Smith said.

Smith said the milk will be used in the social programs of the Compania Nacional de Subsistencias Populares (CONASUPO), a Mexican government agency.

As of March 13, CCC's uncommitted inventory of non-fat dry milk totaled about 271,433 tons.

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CCC RETENDERS FINAL CORN CONTRACTS

WASHINGTON, March 20--The Commodity Credit Corporation now has retendered all corn contract rights acquired last year as a result of the suspension of sales to the Soviet Union, according to Edward Hews, acting CCC executive vice president.

Hews said export contracts for soybeans, soybean products and wheat had all been previously retendered.

Explaining the retendering program, Hews said, "The partial embargo of sales to the USSR of Jan. 4, 1980 had the effect of cancelling some con- tracts between the Soviet Union and grain exporters. CCC began buying the cancelled grain contracts from exporters in an attempt to keep U.S. grain prices from falling disastrously. As other markets were found for the grain, CCC sold the contract rights back to the grain exporters."

Contract rights to accept export location delivery of corn, wheat, soybeans and soybean products were sold back into the market on a regular basis from March through August 1980. However, settlement did not occur until the shipment month.

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